

STATE OF DELAWARE
OFFICE OF
AUDITOR OF ACCOUNTS

DEPARTMENT OF LABOR

INTERNAL CONTROL PERFORMANCE AUDIT

JULY 1, 2004 – JULY 31, 2005

FIELDWORK END DATE: FEBRUARY 14, 2006

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AUDITOR OF ACCOUNTS

Executive Summary

BACKGROUND

The Office of Auditor of Accounts (AOA) selected the following Divisions within the Department of Labor (DOL) to perform an internal control performance audit on the revenue generation and procurement processes:

- Division of Employment and Training (DET)
- Division of Industrial Affairs (DIA)
- Division of Vocational Rehabilitation Services (DVR)

The objective of the audit was to determine if the Divisions' internal control structure governing revenue generation and procurement at the process, transaction, and application levels are adequate to safeguard the State's assets. The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) applicable to performance audits; issued by the Comptroller General of the United States.

AUDIT CONCLUSIONS AND OBSERVATIONS

The objective of the audit was to determine if the Divisions' internal control structure governing revenue generation and procurement at the process, transaction, and application levels are adequate to safeguard the State's assets. AOA determined that DET, DIA, and DVR's internal control structure is adequate to safeguard the State's assets.

In evaluating the Divisions' internal control structure, AOA did not identify any material weaknesses or reportable conditions. However, AOA identified several performance improvement opportunities in the following areas: policies and procedures; authorizations; reconciliations; segregation of duties; and noncompliance with the State of Delaware *Budget and Accounting Manual* and generally accepted accounting practices.

- Policies and procedures of the Divisions are not updated to reflect current operating processes and/or do not include authorization, reconciliation, or segregation of duties. As a result, processes may not be properly communicated and consistently followed. Also, there is no assurance that new personnel will have adequate guidance in performing their assigned tasks.
- Authorization: Approval of transactions and access to assets and records were not appropriately limited.
 - Possession of DIA and DVR facsimile signature stamps was not limited to the persons whose signatures were on the stamps.
 - DVR and DET SuperCard spending limits were excessive and a DET SuperCard was not deactivated upon termination of an employee
 - DVR and DET petty cash account authorizations are excessive considering the minimal activity.

Executive Summary - Continued

- Reconciliation: DVR does not maintain a continuous petty cash book balance and as a result, does not reconcile book balance to bank statements. To determine assessment amounts, DIA relies on information submitted by self-insurers and insurance carriers. There is no independent audit or verification of amounts reported by the self-insurers and insurance carriers.
- A lack of segregation of duties exists within DET and DVR. Duties should be segregated to reduce the possibility of error or inappropriate action.
- Instances of noncompliance with the State of Delaware Budget and Accounting Manual and generally accepted accounting practices were identified, including untimely deposits and missing documentation.

AGENCY RESPONSE

The Department of Labor would like to thank the Auditor's Office for the suggestions and recommendations they have made to improve our internal control structure. We appreciate any help toward making our department run more efficiently. We would also like to thank the auditor's for their time and patience in this process. All of the staff involved with the audit were very helpful and professional.

See DOL's responses to each finding in the Findings & Recommendations section of the report.

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Audit Authority

Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to perform postaudits of all the financial transactions of all State agencies. The law requires that the audits be made in conformity with generally accepted auditing principles and practices. Such principles and practices are established by two standard setting bodies: the American Institute of Certified Public Accountants, which has issued generally accepted auditing standards; and the U.S. General Accounting Office, which has issued generally accepted government auditing standards.

Background

Internal Control

The American Institute of Certified Public Accountants defines internal control as a process affected by an entity's board of directors, management, and other personnel. Internal control is designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with laws and regulations

Internal control is a process that is affected by people expected to provide reasonable assurance regarding the achievement of the objectives of safeguarding assets and reliable financial reporting. Internal control provides reasonable assurance – not absolute assurance – regarding the achievement of an organization's objectives. There are several reasons why internal control cannot provide absolute assurance that objectives will be achieved including cost/benefit realities, collusion among employees, and external events beyond an organization's control.

Controls are categorized as authorization; configuration/accounting mapping; exception/edit reporting; interface/conversion controls; key performance indicators; management review; reconciliation; segregation of duties; and system access.

Department of Labor (DOL)

DOL connects people to jobs, resources, monetary benefits, workplace protections and labor market information to promote financial independence, workplace justice and a strong economy. The department's organizational structure was created by statute on June 22, 1970, when Delaware moved from a commission form of government to a cabinet form of government. Presently, DOL is headed by a Secretary of Labor, the Honorable Thomas B. Sharp, who is appointed by the Governor. DOL is made up of four divisions and four offices:

- Division of Employment and Training
- Division of Unemployment Insurance
- Division of Industrial Affairs
- Division of Vocational Rehabilitation
- Office of Administration
- Office of Occupational and Labor Market Information
- Office of the Delaware Commission for Women
- Office of the Secretary

The combined efforts of these divisions and offices support the employment-related needs of nearly 400,000 Delaware workers and more than 20,000 businesses throughout the State. The administrative offices of DOL are located in Wilmington.

Background - Continued

AOA selected the following Divisions within DOL to perform an internal control performance audit on the revenue generation and procurement processes:

- Division of Employment and Training (DET)
- Division of Industrial Affairs (DIA)
- Division of Vocational Rehabilitation Services (DVR)

DET

DET operates a statewide labor exchange system serving both employers and job seekers. DET administers federal and state-funded training programs for individuals who have barriers to employment as a result of job dislocation or other socioeconomic factors. DET's mission is to provide services enabling employers and job seekers to make informed employment and training choices leading to employment.

DET locations are in Wilmington, Newark, Dover, and Georgetown.

DIA

DIA's mission is to foster, promote and develop the welfare of the wage earners of the State of Delaware, to improve their working conditions and to advance their opportunities for profitable employment by:

- Promoting economic stability to injured workers and their families by providing partial income maintenance;
- Protecting workers from unfair and/or unsafe working conditions through the enforcement of labor standards laws and civil rights laws; and,
- Ensuring safe and healthy working conditions by identifying workplace hazards and collecting statistical data relating to workplace injuries, illnesses and fatalities.

DIA locations are in Wilmington and Milford.

DVR

DVR provides services leading to employment for individuals with disabilities capable of achieving independence through employment. DVR also adjudicates claims for Social Security disability benefits for individuals with disabilities who are unable to work. DVR's mission is to provide information, opportunities and resources to individuals with disabilities leading to success in employment and independent living.

DVR locations are in Wilmington, New Castle, Newark, Middletown, Dover, and Georgetown.

Objective, Scope, Methodology, and Conclusions

OBJECTIVE

The objective of the internal control performance audit was to determine if the Divisions' internal control structure governing revenue generation and procurement at the process, transaction, and application levels is adequate to safeguard the State's assets.

SCOPE

The audit consisted of reviewing the internal controls surrounding the revenue generation and procurement processes of DET, DIA, and DVR for the audit period of July 1, 2004 through June 30, 2005. Spending history for SuperCard users was reviewed for the period of July 1, 2005 through January 18, 2006. Audit fieldwork was completed on February 14, 2006.

The revenue generation process includes the cash receipt process (including any cash and investment accounts held outside of the Delaware Financial Management System (DFMS)) and the accounts receivable process (including billing, tracking, recording, collection, write-off, and financial reporting – i.e. allowance for doubtful accounts). The procurement process includes contracting (including following State laws for procuring goods and services), expenditures (including cash accounts held outside of DFMS), and the accounts payable process (including checks, petty cash, ACH, and SuperCard payments).

METHODOLOGY

AOA conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS).

Audit procedures consisted of the following:

- Reviewing the Divisions' written policies and procedures relative to the revenue generation and procurement processes including any accounts held outside of DFMS
- Interviewing DOL and the Divisions' staff
- Testing of records and processes to confirm our understanding and the effectiveness of controls. Testing techniques used included observation, inspection, system query, inquiry, corroborative inquiry, re-performance, and knowledge assessment.

Objective, Scope, Methodology, and Conclusions - Continued

The criteria used in the performance of this audit consisted of:

- The Committee of Sponsoring Organizations of the Treadway Commission's report: *Internal Control – Integrated Framework* (COSO Framework)
- State of Delaware *Budget and Accounting Manual* (Chapter II – Internal Control; Chapter VII – Disbursements; Chapter VIII – Collections and Accounts Receivable; Chapter XIII – Statewide Travel Policy; and Chapter XIV – SuperCard Purchase/Travel Program)
- Other relevant laws and/or standards governing internal control applicable to the DOL and the Divisions.

CONCLUSIONS

The objective of the audit was to determine if the Divisions' internal control structure governing revenue generation and procurement at the process, transaction, and application levels are adequate to safeguard the State's assets. AOA determined that DET, DIA, and DVR's internal control structure is adequate to safeguard the State's assets.

In evaluating the Divisions' internal control structure, AOA did not identify any material weaknesses or reportable conditions. However, AOA identified several performance improvement opportunities in the following areas: policies and procedures; authorizations; reconciliations; segregation of duties; and noncompliance with the State of Delaware *Budget and Accounting Manual* and generally accepted accounting practices.

Findings and Recommendations

POLICIES AND PROCEDURES

The State of Delaware *Budget and Accounting Manual*, Chapter I, states, "Department or agency heads are responsible for establishing and maintaining an effective system of internal control." An effective system of internal controls includes:

- Ensuring that all transactions are clearly documented, and the documentation is available for examination.
- Dividing the responsibility for a transaction or activity among different parties so that no one employee has complete control over the processing of transactions.

Chapter II of the *Manual* states, "A well designed system of controls must include written policies and procedures to ensure that each control objective is met".

Managers are responsible for establishing and maintaining internal controls through written procedures. Written procedures are beneficial for the training of current and new employees and are a valuable resource in the event an employee leaves the Department/Division. The procedures should include sufficient information to permit an individual who is unfamiliar with the operations to perform the necessary activities.

Documentation is an important aspect of control and communication. It generally provides (1) an understanding of an entity's objectives, (2) a basis for training new personnel, (3) a means of communicating common information, (4) a source of information about accounting controls, and (5) a source of information that will aid in providing continuity in the event experienced personnel leave.

The lack of written procedures increases the risk of loss of funds, theft of assets, and disruption of operations.

Finding #1:

DIA - Failure to Provide Copy Fee Receipts and Establish Complete Policies and Procedures

The Office of Worker's Compensation receives requests for copying of public forms/documents. The requests are documented on a Worker's Compensation Request for Copy of Public Document form. However, pre-printed, pre-numbered receipts are not given to the payer once the fees have been billed and collected, unless requested. If the payer requests a receipt, a Word document is created. Upon receipt of the monies collected from the Office of Worker's Compensation, DIA makes the deposits.

A review of DIA's current *Document Processing Procedures* found that the policies and procedures do not address the process of receiving the copy requests, to processing, determining the total cost, and calling the requester to notify amount due for copy fees.

Findings and Recommendations - Continued

The State of Delaware *Budget and Accounting Manual*, Chapter VIII, states that, "Cashiers will issue an official pre-numbered receipt to a payer, a copy of which will be retained in file for audit purposes."

All agencies that handle cash receipts must have both an awareness of and show a commitment to strong internal controls for cash receipts. Any system implemented should include provisions for receipting all collections and reconciling those receipts with deposits. Issuing receipts is critical to maintaining the integrity of the system and ensuring that all collections have been accounted for properly. The lack of adequate internal controls over cash receipts places DIA at risk for accounting errors or loss of funds. Because complete written procedures have not been established for issuing receipts, it may be unclear to the individuals responsible for handling the collection of the monies that receipts should be given for all cash (currency) received by DIA.

Recommendation #1:

DIA provide pre-printed, pre-numbered triplicate receipts for all cash (currency) received, distributed as follows: original payer, copy maintained with bank deposit slip and supporting documentation, and copy retained in file. The current Worker's Compensation Request for Copy of Public Document form can be reformatted to comply with the audit recommendation.

DIA establish and document written procedures relating to copy fee requests to address the entire process from the initial receipt of the request to the processing of the cash receipt document. At a minimum, the procedures should include the following:

- Assigned personnel must accurately record all copy fee revenue transactions on sequentially, pre-numbered written receipts at the time of the transaction. The copies of the receipts must be accounted for and be retained for reconciliations.
- Unannounced cash counts shall be performed to reconcile amounts received to the amounts recorded on the receipts. All overages and shortages should be investigated and resolved.
- DIA should reconcile receipts, to deposit slips, to postings in the books and bank statements.

Auditee Response #1:

We agree to provide pre-printed, pre-numbered receipts for all cash requests. We also agree to establish written procedures related to copy fee requests including the above guidelines.

Finding #2:

DET & DVR - Lack of Returned Vendor Check Policies and Procedures & Adequate Documentation

The normal process for check disbursements for the DET and DVR is as follows:

- A Payment Voucher is prepared, approved, and forwarded to the State Treasurer's Office for processing

Findings and Recommendations - Continued

- A check is prepared and mailed by the State's Treasurer's Office to the payee

This process allows for proper segregation of duties between authorization, recordkeeping and custody (the Treasurer's Office maintains custody of the checks until time of mailing). However, in several instances during FY05, the Divisions requested that the State Treasurer's Office return the checks to the Division for mailing or delivery to the payee. The Divisions do not have written policies and procedures related to checks returned to the Divisions for mailing or delivery. In addition, the supporting documentation for the payment vouchers did not indicate the dates the checks were mailed or delivered to the payee.

The Division of Accounting *Memorandum #03-03 – Segregation of Duties*, states that, “Although the majority of processed payments are sent directly to the payee, there are checks that require special handling including their return to the requesting organization. To ensure proper internal control is properly maintained:

- State organizations must have procedures in place to ensure the individual who generated the payment does not approve it.
- Checks resulting from approved payments must not be returned to the person that initiated or authorized the payment.
- Such procedures must be maintained in writing and included in the organization’s written internal control policies/procedures manual.”

Whenever vendor checks are not mailed directly to vendors, the risk of misappropriation of funds is increased.

Recommendation #2:

DET and DVR implement policies and procedures for transactions in which checks are returned to the Divisions for mailing or distribution. In order to maintain proper segregation of duties between authorization, recordkeeping and custody, checks should not be returned to the person within the Divisions that recorded or approved the disbursement. Whenever possible, checks should be mailed directly by the State Treasurer's Office.

The Divisions should maintain documentation supporting the disbursement of the check. One method to track returned checks would be to establish a manual tracking spreadsheet. This spreadsheet should list the vendor, check number, check date, and either the date the check was mailed or the signature of the person to whom the check was delivered and the date of delivery.

Auditee Response #2:

Procedures have been established in the Controller’s Office to address this recommendation. These procedures include making a copy of the vendor check with the date received and date delivered on the copy. The Controller’s Office will maintain a file of all vendor checks by division. The division will record the date the check is mailed on the PV.

Findings and Recommendations - Continued

Finding #3:

DET - Lack of Written Policies and Procedures for the Petty Cash Account

DET does not have written policies and procedures related to its petty cash account.

Recommendation #3:

DET develop written policies and procedures for the petty cash account. These policies and procedures should, at a minimum, address the duties of authorization, recordkeeping, and custody to include reconciliation requirements, management/supervisor approval requirements, replenishment guidelines, and physical security requirements.

Auditee Response #3:

We agree to establish written policies and procedures to include the above guidelines.

Finding #4:

DIA - Insufficient Revenue Generation Policies & Procedures

DIA has insufficient policies and procedures related to the revenue generation and collection process. DIA currently has a "Document Processing Procedures" policy. However, key issues not addressed by this policy include providing cash receipts, reconciliation procedures, clearly defined depository procedures, and unannounced cash counts.

Recommendation #4:

DIA expand policies and procedures related to the revenue generation and collection process. The following are, at a minimum, suggested guidelines/controls that should be incorporated into the procedures:

- Method of documenting cash receipts - All collections must be recorded at the time of receipt. Computer generated receipts, pre-numbered receipt books, or tickets are examples of acceptable forms of documentation. Receipts should include: payer's name, amount of payment, date of payment, and initials or signature of employee collecting funds.
- Reconciliation procedures - Cash receipts must be reconciled to the source documentation on a regular basis to ensure all funds are properly deposited and recorded. Ideally, reconciliations should be done daily and monthly. Someone other than the person receiving funds must be responsible for a daily reconciliation of receipts. Any overages and shortages discovered in the reconciliation process should be documented and approved by a supervisor. If there appears to be a pattern of overages or shortages, this information should be disclosed immediately to the Director. A monthly bank reconciliation should also be performed within 30 days of the statement date. This comparison should include the verification that all funds received and deposited are recorded by the bank.
- Depository procedures - All cash received must be deposited in accordance with the State of Delaware *Budget and Accounting Manual*, Chapter VIII, "deposits to a designated bank account should be deposited on the day of receipt, with the exception of those funds

Findings and Recommendations - Continued

received after the close of normal banking hours or when an agency receives less than \$100 in daily receipts. Those agencies which do receive less than \$100 in daily receipts, shall make a deposit when the accumulated undeposited receipts exceed \$100 or on a weekly basis, whichever comes first."

- Frequent and unannounced cash counts - In accordance with the State of Delaware *Budget and Accounting Manual*, Chapter VIII, "frequent and unannounced cash counts will be conducted by disinterested agency personnel." Unannounced cash counts assist in assessing compliance with internal controls and procedures, detecting errors or irregularities timely, and ensuring that proper safeguards are in place. A disinterested individual should conduct the unannounced cash counts at random periods. For example, information/amounts contained on the Worker's Compensation Request for Copy of Public Document forms could be reconciled against the cash/checks that are maintained in the locked file drawer to entries made into the Copy Charge Program for the particular day.

Auditee Response #4:

We agree to incorporate the above guidelines into our current written policies and procedures.

Finding #5:

DIA - Insufficient Worker's Compensation Fund Procedures

DIA does not have adequate policies and procedures in place for the Worker's Compensation Fund.

Recommendation #5:

DIA develop adequate written policies and procedures for the Worker's Compensation Fund. These policies and procedures should address, at a minimum, the following:

- custodial duties and responsibilities
- management/supervisor approval requirements
- physical security requirements
- disbursement guidelines
- voiding checks
- reconciliation frequency and review
- use of facsimile stamp
- investigation of outstanding checks
- depository procedures
- reference to processing/creating documents in OMS

Auditee Response #5:

We agree to incorporate the above guidelines into our current written policies and procedures.

Findings and Recommendations - Continued

Finding #6:

DET & DVR - Insufficient Cash Management Procedures

The cash management procedures for monitoring and performing drawdown of federal grants for DET and DVR are insufficient. Key issues that are not addressed in the Divisions' written policies and procedures include preparation of the financial documents (i.e. cash receipt and intergovernmental vouchers), approvals required on the documents, procedures for processing

the documents in OMS, required supporting documentation, and reconciliation procedures. The following were also not identified in DET's procedures: individuals tasked with reviewing the appropriation balances, printing the daily validity reports, and drawing down the grant funds in Mobius.

Recommendation #6:

DET & DVR implement sufficient policies and procedures for monitoring and performing drawdowns of federal grants. At a minimum, the following are suggested guidelines/controls that should be incorporated into the procedures:

- individuals responsible for preparation of the financial documents (i.e. cash receipts, cash adjustments, and intergovernmental vouchers)
- approvals required on the documents
- procedures for processing the documents in OMS
- required supporting documentation
- reference to receiving check refunds from vendors
- reconciliation procedures
- individuals tasked with reviewing the appropriation balances, printing the daily validity reports, and drawing down the grant funds in Mobius.

Auditee Response #6:

We agree to incorporate the above guidelines into our current written policies and procedures.

Finding #7:

DET - Insufficient Contractor Reimbursement Procedures

DET's *Contractor Reimbursement Procedures* are insufficient. Key issues that were not addressed include: reference to processing documents in OMS, persons/positions tasked with responsibilities, reference to authorized signors, and reconciliation procedures.

Recommendation #7:

DET implement sufficient policies and procedures for contractor reimbursements. At a minimum, the following are suggested guidelines/controls that should be incorporated into the Division's *Contractor Reimbursement Procedures*:

- reference to processing documents in OMS
- persons/positions tasked with responsibilities

Findings and Recommendations - Continued

- reference to authorized signors
- reconciliation procedures

Auditee Response #7:

We agree to incorporate the above guidelines into our current written policies and procedures.

Finding #8:

DIA – Lack of Outstanding Check Policies and Procedures

DIA does not have established written policies and procedures with regards to reviewing outstanding checks for all bank accounts. DIA does not review and adjust old, outstanding checks in a timely manner for the Petty Cash and Wage Claim accounts.

In addition, DIA does not have a process for reviewing escheatable items in accordance with 12 Del. C., §1198. According to 12 Del. C., §1198, escheatable property is defined as, “property which is subject to escheat to the State” for a full and continuous period of 5 years.

A review of the July 2004 bank reconciliations listed seven outstanding checks totaling \$92.40, with the oldest check dated prior to August 2002 for the Petty Cash account and fourteen outstanding checks totaling \$848.71, with the oldest check dated March 1994 for the Wage Claim Account. The outstanding checks were as follows:

Petty Cash Account			Wage Claim Account		
<u>Check #</u>	<u>Check Date</u>	<u>Amount</u>	<u>Check #</u>	<u>Check Date</u>	<u>Amount</u>
5350	unable to determine	\$7.20	1089	3/7/1994	\$2.47
5360	unable to determine	31.20	1090	3/7/1994	2.47
5418	unable to determine	4.80	1349	1/8/1998	40.40
5551	unable to determine	5.00	1350	1/8/1998	70.40
5683	8/1/2002	4.40	1351	1/29/1998	60.40
5744	9/18/2002	24.80	1352	1/29/1998	72.91
5865	12/19/2003	<u>15.00</u>	1353	1/29/1998	24.00
	Total	<u>\$92.40</u>	1356	2/4/1998	256.00
			1385	4/14/1998	8.70
			1390	4/20/1998	1.45
			1391	4/20/1998	25.79
			1462	7/5/2000	56.96
			1501	11/12/2001	22.01
			1538	8/6/2003	<u>204.75</u>
				Total	<u>\$848.71</u>

Findings and Recommendations - Continued

Recommendation #8:

DIA establish written policies and procedures with regards to outstanding checks for all bank accounts. At a minimum, the procedures should include the following:

- Investigating outstanding checks in a timely manner and making the appropriate adjustments.
- Establishing dollar limit of checks for stop payments. The Department should consider the expense in bank charges and administrative time of stop payment orders on checks for small amounts. Smaller amounts should instead be cancelled on the Division's records.
- Process for escheating funds, if applicable, in accordance with 12 Del. C., §1198.

DIA should make the appropriate adjustments for old, outstanding checks at least once each fiscal year and verify that checks are actually voided or reissued and properly reflected in the accounting records.

Auditee Response #8:

We agree to incorporate the above guidelines into our current written policies and procedures.

AUTHORIZATION

Authorization is defined as, "the approval of transactions executed and access to assets and records in accordance with management's general or specific policies and procedures." Specific authorization relates to individual transactions; it requires the signature or electronic approval of a transaction by a person with approval authority. Assets must be safeguarded against unauthorized acquisition, use, or disposition.

The State of Delaware *Budget and Accounting Manual*, Chapter II states, "Management's monitoring of and attitude toward adherence to control procedures is critical to making controls work." One of the control procedures cited is "Access to assets is limited in accordance with management's authorization."

Finding #9:

DET & DVR – SuperCard Spending Limit Too High

Two of three DET's SuperCard users' spending limits tested were deemed excessive based on the level of spending the cardholders incurred during the period July 1, 2005 through January 19, 2006. One cardholder had no transactions and the other cardholder had total transactions of \$358 for the period examined. Both cards had spending limits of \$10,000 each.

One out of two DVR SuperCard user's spending limits tested was deemed excessive based on the level of spending the cardholder incurred during the period July 1, 2005 through January 19, 2006. During the period examined, the highest spending in one month was \$3,407 and the monthly spending limit was set at \$15,000.

Findings and Recommendations - Continued

DVR & DET management do not compare spending limits to actual average spending to determine the reasonableness of the card's settings. The resulting high spending limits expose the State to a greater potential loss in the event of card theft, loss, or fraud.

Recommendation #9:

The monthly credit card transaction limits should be evaluated (at least quarterly) and assessed at more conservative levels in order to minimize the State's exposure to loss.

Auditee Response #9:

At the time the spending limits were set, it was the appropriate spending level. However, we agree that is no longer the case and have adjusted the spending limits. We also agree to review the spending limits on a timelier basis.

Finding #10:

DET – SuperCard Not Deactivated Timely

The SuperCard of one terminated individual of DET was not deactivated in a timely manner. The employee was terminated December 13, 2005 yet had an active card status as of January 19, 2006.

State of Delaware *Budget and Accounting Manual*, Chapter XIV, states, "Prior to separation from State employment or transferring to another state agency/school district, the employee will surrender the credit card and the current credit card purchasing log to the agency/school district coordinator or approving official. Upon receipt, the approving official will review, approve and forward the month end credit card statement to the billing coordinator and destroy the card. The agency coordinator will contact the Division of Accounting to have the credit card deactivated." DET management did not follow the proper termination procedures for the SuperCard.

Not deactivating cards of terminated employees exposes the State to a greater potential loss in the event of card misuse.

Recommendation #10:

Upon termination of an employee, DET should deactivate the terminated employee's SuperCard within 24 hours. In addition to promptly deactivating SuperCards upon termination, DOL should update the employee termination checklist. At a minimum, the checklist should include: deactivating the card status; surrendering the credit card and any access badges to the building; and removing authorized signors from signature cards.

Auditee Response #10:

We agree that the card should have been deactivated based on the state policy and we will add this to our termination checklist to ensure that it is done in the future.

Findings and Recommendations - Continued

Finding #11:

DET & DVR – Excessive Petty Cash Balances

DET's petty cash fund is authorized to have a balance of \$3,475; however the lowest monthly balance of the petty cash account was about \$2,800. The balance of \$3,475 is excessive considering the minimal dollar activity recorded through the account.

DVR's petty cash fund is authorized to have a balance of \$8,000; however the average monthly disbursements from the petty cash account totaled \$500. The balance of \$8,000 is excessive considering the minimal dollar activity recorded through the account.

The State of Delaware *Budget and Accounting Manual*, Chapter VII, states, "The maximum authorization is not greater than \$2000 for the petty cash fund, however, amounts greater may be requested where exceptional circumstances exist."

An excessive petty cash balance increases the Division's exposure to loss through theft or misappropriation. In addition, an exceptional circumstance does not appear to exist to require an authorization greater than \$2,000.

Recommendation #11:

DET take steps to reduce its petty cash balance from \$3,475 to \$1,000 or \$2,000. DVR take steps to reduce its petty cash balance from \$8,000 to \$1,000.

Auditee Response #11:

At the time the petty cash accounts were established the balances were appropriate. However, based on current usage we agree that the balances should be reduced. DVR has reduced their balance to \$1,000 and DET will reduce theirs to \$2,000.

Finding #12:

DIA & DVR – Improper Use and Maintenance of Facsimile Signature Stamps

DIA procedures require Worker's Compensation checks to have one live signature and one facsimile signature stamp denoting approval. Facsimile signature stamps of Worker's Compensation staff are used as evidence of second approval on checks for the DIA Worker's Compensation Fund. The persons whose signatures are on the stamps are not always the individual(s) applying the signature to the checks and the authorized individuals do not always maintain possession of their own stamp. In addition, the audit team was informed that an individual's signature stamp is easily accessible to unauthorized persons because the stamp is maintained by the typists and left unsecured in an open area.

DVR authorizes the Senior Fiscal Administrative Officer, Management Analyst III, and Senior Accountant to have facsimile signature stamps to approve financial documents. The authorized individuals do not maintain possession of their own stamp.

Findings and Recommendations - Continued

The risk of unauthorized transactions and misappropriation of assets increases when the stamps are not utilized by the authorized individual(s); are not maintained by the person(s) whose signature is on the stamp; and are left unsecured.

Recommendation #12:

The person(s) whose signature is on the stamp(s) should (1) apply the signature to the checks after proper review and (2) maintain possession of his/her own stamp(s). Additionally, written policies and procedures should be revised to address the proper authorization and approval.

Auditee Response #12:

We agree that all signature stamps should remain in the possession of the authorized individual. Due to the volume of documents/checks we process, we propose in response to the second part of the recommendation that a ledger be established to include the name of the person signing out the stamp, the date and time it was signed out, the purpose for using the stamp and the date and time it was returned. The person whose signature is on the stamp being signed out must initial the ledger to ensure that they are aware the stamp is being used. It is not practical in all cases for the authorized individual to be applying the signature stamp to the documents/checks.

Auditor's Comment #12:

Only those individuals that have been given review/approval authority should sign documents or affix signatures via signature stamps.

RECONCILIATION

A reconciliation is a comparison of different sets of data to one another, identifying and investigating differences, and taking corrective action, when necessary, to resolve differences. Differences should be identified, investigated, explained, and corrective action taken as necessary. Reconciliations should be documented and approved by management.

Finding #13:

DVR – Use of OMS to Track Petty Cash Activity and Petty Cash Reconciliations Not Timely

DVR uses OMS to record disbursements from the petty cash account. DVR does not utilize OMS to record deposits or to provide a continuous book balance. When preparing bank reconciliations, DVR uses the bank balance and (1) deducts outstanding checks per a manual review of checks written, and (2) adds outstanding deposits to obtain a 'book' balance. However, with the current system of recording petty cash account activity (OMS) there is no book balance to compare to or confirm.

DVR receives bank statements for its petty cash account twice a month; therefore DVR reconciles the account twice monthly. Five out of twenty-four FY05 bank reconciliations were tested. One out of five reconciliations was not prepared timely.

Findings and Recommendations - Continued

- The March 1, 2005 - March 15, 2005 reconciliation was not prepared or reviewed until April 7, 2005

The control category of reconciliation is designed to check whether two items/computer systems/other are consistent. Without maintaining a continuous book balance, DVR is unable to determine if the book activity reconciles to bank activity. Effective internal control procedures require that bank account reconciliations be performed on a timely basis to provide reasonable assurance that cash assets agree with recorded activity and to facilitate the prompt detection and correction of unrecorded or improperly recorded transactions.

Untimely preparation and review of reconciliations could result in untimely identification and resolution of errors and/or inappropriate transactions. In addition, failure to properly reconcile petty cash activity increases the chances that errors, theft, omissions, or other irregularities could go undetected.

Recommendation #13:

DVR research the features within OMS and determine if the system can record deposits and provide a running book balance to ensure a proper method of performing reconciliations. If OMS does not contain the required features, DVR should utilize another system such as Quicken or Excel. In addition, DVR prepare and review petty cash reconciliations on a timely basis.

Auditee Response #13:

We agree to purchase Quicken to maintain our petty cash activity and perform the petty cash reconciliation. We also agree to reconcile the petty cash on a timely basis.

Finding #14:

DIA - Relying on Information Submitted from Insurance Carriers

DIA collects and bills self-insurers and insurance carriers for self-insurer tax and administrative expense and insurance carrier 1% assessments. The Division mails out the appropriate forms to the self-insurers and insurance carriers and relies upon the information submitted. There appears to be minimal controls in place to ensure that the information reported by the self-insurers and insurance carriers is accurate.

19 Del. C. § 2391 authorizes the Department/Division to verify the information submitted at the expense of the employer. Good business practices and sound internal controls recommend that information submitted from outside agencies should be validated to assess the accuracy and completeness of the information.

The lack of verification leads to potential loss of revenue. The General Accounting Office defines verification as the "assessment of data completeness, accuracy, and consistency, and the related quality control practices."

Findings and Recommendations - Continued

Recommendation #14:

DIA implement policies and procedures to ensure that the information reported by the self-insurers and insurance carriers is accurate. One means of improving control in this area would be to require the self-insurers and insurance carriers submit supporting documentation with the form(s). Once the forms and supporting documentation have been received, an employee(s) should review the information and, if necessary (with adequate resources) perform an on-site audit.

Auditee Response #14:

We agree to contact the Insurance Commissioner's Office to obtain a report that will verify information submitted by the insurance carriers.

At this time we do not have the staff to verify information submitted by the self-insurers. DIA is in the process of developing statutory provisions regarding self-insurance that would include giving specific rule making authority to implement the standards and specific procedures, forms and periodic audits of a self-insurers financial condition. These provisions are under consideration by the consultant and will be discussed by the Workers' Compensation Advisory Council and submitted in a report to the Governor.

SEGREGATION OF DUTIES

Duties should be segregated among different people to reduce the risk of error or inappropriate action. In general, the approval function, the accounting/reconciling function, and the asset custody function should be separated among employees. When these functions cannot be separated, due to small departmental size, a detailed supervisory review of related activities is required as a mitigating control activity.

The State of Delaware *Budget and Accounting Manual*, Chapter II, requires that the responsibility for a transaction or activity be divided among different parties so that no one employee has complete control over the processing of transactions. Good business practices and

sound internal control for segregation of duties reduce the risk that one person would perpetrate and/or conceal errors in the normal course of his or her duties.

The lack of segregation of duties increases the risk of errors and misappropriations. While ideal separation of duties is not always possible in a small Division, the Division should strive to separate key functions and provide for increased oversight for the processing of transactions or should look for other methods of ensuring internal control.

Findings and Recommendations - Continued

Finding #15:

DET - Lack of Segregation of Duties over Transactions

During testing of expenditure transactions for DET, one of forty-one transactions reviewed was not properly authorized. It was determined that an authorized signor approved payment of his own cell phone bill.

Recommendation #15:

DET improve controls over the process of expenditure transactions by separating key duties or by increasing supervision and oversight of certain activities.

Auditee Response #15:

We believe that DET has adequate controls in place and this was an abnormal occurrence.

Finding #16:

DVR – Lack of Segregation of Duties within OMS

The Department of Labor uses Operations Management System (OMS). OMS is a front-end or “feeder system” to the Delaware Financial Management System (DFMS) that allows for the creation of most DFMS transactions in a client-server environment. OMS transactions are routinely synchronized with DFMS through an upload and download process so that DFMS remains the system of record for OMS users. Users manually key the financial data into OMS and then print the financial document from OMS for approval. All OMS and DFMS users of the Division of Vocational Rehabilitation can prepare, enter, and approve documents in OMS. They can also upload the documents in OMS into DFMS.

Division of Accounting has issued OMS upload security guidelines. In accordance with these guidelines, those with DFMS level 2 authority must not enter, modify, or delete transactions in OMS. Also in accordance with these guidelines, all OMS System Administrators must not participate in entering, modifying, or approving OMS transactions as part of routine transaction processing.

Recommendation #16:

In accordance with DOA upload security guidelines, DVR develop procedures for monitoring OMS transactions to ensure proper segregation of duties between those creating and updating transactions and those approving transactions.

Auditee Response #16:

We agree to modify approval levels in accordance with DOA upload security guidelines.

Findings and Recommendations - Continued

COMPLIANCE WITH THE STATE OF DELAWARE BUDGET AND ACCOUNTING MANUAL AND GENERALLY ACCEPTED ACCOUNTING PRACTICES

Instances of noncompliance with the State of Delaware *Budget and Accounting Manual* and generally accepted accounting practices were identified.

Noncompliance with the *Manual* and generally accepted accounting practices increases the risk of misappropriation of assets; disruption of operations; and chances that errors, theft, omissions, or other irregularities could go undetected.

Finding #17:

DVR – Cash Receipt Deposits not Made Timely

Three out of twenty cash receipt deposits tested for DVR were not made timely due to lack of management oversight.

<u>Date Received</u>	<u>Amount</u>	<u>Date of Deposit</u>
04/05/04	\$60.00	08/26/04
11/12/04	360.00	11/17/04
12/22/04	480.00	01/03/05
Total	\$900.00	

The State of Delaware *Budget and Accounting Manual* Chapter VIII states, "agencies shall make a deposit when the accumulated undeposited receipts exceed \$100 or on a weekly basis, whichever occurs first."

Recommendation #17:

DVR should ensure that all deposits are made in accordance with State policy.

Auditee Response #17:

DVR field offices receive checks which must be forwarded to the DVR fiscal unit in the Fox Valley location for deposit. The date on the vendor check is not the date of receipt due to time spent in state mail. It should be noted that the refund check dated 04/05/04 was not received by DVR until 07/28/04. While this was not deposited within the timeframe in accordance with state policy, it shows a much shorter time lag than noted in the finding. We agree to deposit checks in accordance with state policy.

Findings and Recommendations - Continued

Finding #18:

DET – Missing Cancelled Checks

DET could not locate three cancelled checks that were requested for inspection. Upon further inquiry, it was determined that all checks that cleared with the September 2004 bank statement had been misplaced.

The State of Delaware *Budget and Accounting Manual*, Chapter VII states, "All invoices, bills, statements, letters, vouchers and other documents pertaining to disbursements shall be preserved and systematically filed by each agency."

Lack of adequate supporting documentation may raise questions about the validity and integrity of the transaction and increases the possibility that unauthorized or inaccurate transactions may have been processed.

Recommendation #18:

DET should make every effort to maintain supporting documentation in its proper location.

Auditee Response #18:

DET does maintain supporting documentation. This was an abnormal occurrence.

Finding #19:

DET & DVR – Replenishment Deposits not Made Timely

DET maintains a petty cash account. Replenishments are made to this account monthly to maintain the balance at approximately \$3,475. All twelve fiscal year 2005 petty cash replenishment deposits tested were not made timely. On average, the replenishments were deposited one week after receipt.

Replenishment requests are prepared twice monthly for the Division of Vocational Rehabilitation's (DVR) petty cash account. During Fiscal Year 2005, six replenishment checks, detailed below, were not deposited timely. Staff of DVR did not research the untimely deposit of checks despite twice monthly reconciliations which listed the outstanding deposits. DVR staff was unable to explain why deposits were not made timely and where the checks were held from time of receipt until time of deposit.

<u>Check Date</u>	<u>Check Amount</u>	<u>Deposit Date</u>
7/27/04	\$174.00	11/1/04
7/28/04	244.75	11/1/04
8/18/04	269.00	11/1/04
8/31/04	247.50	11/1/04
9/22/04	273.00	11/1/04
9/22/04	215.03	11/1/04
Total	\$1,423.28	

Findings and Recommendations - Continued

The State of Delaware *Budget and Accounting Manual*, Chapter VII, states, "The petty cash fund will be reimbursed, as often as necessary, by processing a payment voucher form." The *Manual* further states that funds received "are to be deposited on the day of receipt".

The untimely deposits result in noncompliance with the State of Delaware *Budget and Accounting Manual*.

Recommendation #19:

DET and DVR should ensure that all deposits are made in accordance with State policy.

Auditee Response #19:

We agree to make deposits in accordance with state policy.

Distribution of Report

Copies of this report have been distributed to the following public officials:

Executive

The Honorable Ruth Ann Minner, Governor, State of Delaware
The Honorable Jennifer W. Davis, Budget Director, Office of the Budget

Legislative

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

Mr. Carl Danberg, Attorney General, Office of the Attorney General

Department of Labor

The Honorable Thomas Sharp, Secretary, Department of Labor
Ms. Kris Brooks, Controller, Department of Labor

Other

The Honorable Richard S. Cordrey, Secretary, Department of Finance
Ms. Trisha Neely, Director, Division of Accounting

Appendix A - Control Strengths

The following control strengths were identified:

#	Strength	Division	Process	Control Strength
1	Monies were deposited on the day of receipt, when the accumulated undeposited receipts exceeded \$100, or on a weekly basis, whichever occurred first.	DIA	Revenue Generation	Compliance
2	Cash receipt transactions were properly approved/authorized as evidenced by a live signature on the cash receipt document.	DIA & DET	Revenue Generation	Authorization
3	CR documents were created in OMS by the preparer. The document and supporting documentation was provided to an authorized signor for review/approval. Once approval was obtained, the document was approved in OMS, by someone other than the preparer and uploaded into DFMS.	DIA & DET	Revenue Generation	Segregation of Duty; Authorization
4	Cash receipt transactions were supported by adequate documentation and were properly coded and recorded.	DIA, DVR, & DET	Revenue Generation	Compliance
5	Replenishment deposits for the petty cash account and worker's compensation fund; deposits of prevailing wage fees paid by employers for labor law violation penalties; and payment of vendor invoices were made timely.	DIA	Accounts outside of DFMS	Compliance
6	SuperCard cardholders' total activity and monthly spending limits were reasonable.	DIA	Procurement	Authorization
7	Expenditure transactions were properly approved as evidenced by signatures on the financial documents.	DVR	Procurement	Authorization
8	Wage claim checks were properly approved as evidenced by signatures on the financial documents.	DIA	Accounts outside of DFMS	Authorization
9	Petty cash checks were properly approved as evidenced by signatures on the financial documents.	DIA & DVR	Accounts outside of DFMS	Authorization
10	The worker's compensation fund checks were reviewed and researched in a timely manner if outstanding for more than six months.	DIA	Accounts outside of DFMS	Reconciliation
11	The petty cash checks were reviewed and researched in a timely manner if outstanding for more than six months.	DVR	Accounts outside of DFMS	Reconciliation
12	SuperCards with "travel only" capability were kept in null status until needed.	DIA & DVR	Procurement	Authorization
13	There were no bank checks that were made out to cash or bearer and checks were pre-numbered and used in sequence.	DIA, DVR, & DET	Accounts outside of DFMS	Authorization
14	Expenditure transactions were properly coded and supported by adequate documentation.	DIA, DVR, & DET	Procurement	Compliance
15	SuperCard transactions were for State business only and were supported by credit card receipts.	DIA, DVR, & DET	Procurement	Compliance
16	The unused check stock for bank accounts were properly maintained in a locked area.	DIA, DVR, & DET	Accounts outside of DFMS	Authorization
17	Monthly bank reconciliations were prepared and reviewed timely and footed.	DIA & DET	Accounts outside of DFMS	Reconciliation
18	Employee reimbursement requests were submitted timely.	DIA & DET	Procurement	Compliance
19	Voided checks were properly mutilated and retained.	DIA & DET	Accounts outside of DFMS	Compliance
20	Financial documents are reconciled to the DFMS reports monthly and formally reviewed by someone other than the preparer of the documents.	DIA & DVR	Revenue Generation & Procurement Process	Reconciliation

Appendix B – Control Weaknesses

A brief summary of the control weaknesses, as identified in the body of the report, are as follows:

#	Weakness	Division	Control Needed	Criteria	Recommendation
1	Pre-printed, pre-numbered receipts are not provided for cash received. In addition, policies and procedures have not been established for the processing of copy fee requests.	DIA	Compliance; Policies and Procedures	State of Delaware, <i>Budget and Accounting Manual</i> , Chapter VIII	Provide pre-printed, pre-numbered triplicate receipts for all cash (currency) received. In addition, written procedures should be documented and established and address the entire process from initial receipt of request to process of cash receipt document.
2	Written policies and procedures related to checks returned to the divisions for mailing or delivered have not been established. In addition, documentation for the disbursement of the checks was not adequate.	DET & DVR	Policies and Procedures	State of Delaware, <i>Budget and Accounting Manual</i> , Chapter I	Implement policies and procedures for transactions in which checks are returned to the divisions for mailing or distribution. In addition, adequate documentation for the disbursement of the checks should be maintained.
3	Written policies and procedures have not been established for the petty cash account.	DET	Policies and Procedures	State of Delaware, <i>Budget and Accounting Manual</i> , Chapter II	Develop written policies and procedures for the petty cash account.
4	Policies and procedures related to the revenue generation and collection process are insufficient.	DIA	Policies and Procedures	State of Delaware, <i>Budget and Accounting Manual</i> , Chapter II	Establish, or update, as appropriate, policies and procedures related to the revenue generation and collection process.
5	Sufficient worker's compensation fund procedures have not been established.	DIA	Policies and Procedures	State of Delaware, <i>Budget and Accounting Manual</i> , Chapter II	Develop adequate written policies and procedures for the worker's compensation fund.
6	Cash management procedures are insufficient.	DVR & DET	Policies and Procedures	State of Delaware, <i>Budget and Accounting Manual</i> , Chapter II	Implement sufficient cash management policies and procedures.
7	Contractor reimbursement procedures are not sufficient.	DET	Policies and Procedures	State of Delaware, <i>Budget and Accounting Manual</i> , Chapter II	Implement sufficient policies and procedures for contractor reimbursements.

Appendix B – Control Weaknesses - Continued

#	Weakness	Division	Control Needed	Criteria	Recommendation
8	Written policies and procedures with regards to reviewing outstanding checks for all bank accounts have not been established. In addition, DIA does not have a process for reviewing escheatable items in accordance with 12 Del. C., §1198. Old, outstanding checks in a timely manner for the petty cash and wage claim accounts are not reviewed and adjusted.	DIA	Policies and Procedures	Effective Accounting Practices	Establish written policies and procedures with regards to outstanding checks for all bank accounts. Make the appropriate adjustments for old, outstanding checks at least once each fiscal year and verify that checks are actually voided or reissued and properly reflected in the accounting records.
9	SuperCard spending limits assigned were deemed to be too high based on the level of credit card spending incurred during the period of July 1, 2005 through January 19, 2006.	DVR & DET	Authorization; Management Review	State of Delaware, <i>Budget and Accounting Manual</i> , Chapters II and XIV	The cards' monthly transaction limits should be evaluated and assessed at more conservative levels.
10	The SuperCard of a terminated employee was not deactivated in a timely manner.	DET	Authorization	State of Delaware, <i>Budget and Accounting Manual</i> , Chapter XIV	SuperCards of terminated employees should be deactivated immediately. In addition to promptly deactivating SuperCards upon termination, DOL update the employee termination checklist.
11	Petty cash balances are excessive.	DVR & DET	Authorization	State of Delaware <i>Budget and Accounting Manual</i> , Chapter VII	Reduce the petty cash balance.
12	Improper use and maintenance of facsimile signature stamps.	DIA & DVR	Authorization	State of Delaware, <i>Budget and Accounting Manual</i> , Chapter II	Ensure the appropriate authorized signors maintain and use their own stamp. Written policies and procedures should be revised to address proper authorization and approval.
13	Improper method of performing petty cash reconciliations. In addition, petty cash reconciliations were not made timely.	DVR	Reconciliation	Effective Accounting Practices	Research the features within OMS and determine if the system can record deposits and provide a running book balance to ensure a proper method of performing reconciliations. If OMS does not contain the required features, utilize another system such as Quicken or Excel. In addition, prepare and review petty cash reconciliations on a timely basis.

Appendix B – Control Weaknesses - Continued

#	Weakness	Division	Control Needed	Criteria	Recommendation
14	Lack of verification for relying upon information received from self-insurers and insurance carriers.	DIA	Reconciliation	Title 19, Chapter 23, § 2391 of the <i>Delaware Code</i>	Require the self-insurers and insurance carriers to submit supporting documentation. In addition, implement policies and procedures to ensure information received is accurate.
15	An employee, who is also an authorized signor on financial documents, approved payment of his/her own cell phone bill.	DET	Segregation of Duty	State of Delaware, <i>Budget and Accounting Manual</i> , Chapter II	Improve controls over the process of expenditure transactions by separating key duties or by increasing supervision and oversight of certain activities.
16	Lack of segregation of duties in OMS.	DVR	Segregation of Duty	State of Delaware, <i>Budget and Accounting Manual</i> , Chapter II	Develop procedures for monitoring OMS transactions, to ensure proper segregation of duties between those creating and updating transactions and those approving transactions.
17	Cash receipt deposits were being held prior to deposit for approximately a week, or greater.	DVR	Compliance	State of Delaware, <i>Budget and Accounting Manual</i> , Chapter VIII	Ensure that all deposits are made in accordance with State policy.
18	Three cancelled checks that were requested for inspection could not be located.	DET	Compliance	State of Delaware, <i>Budget and Accounting Manual</i> , Chapter VII	Make every effort to maintain supporting documentation in its proper location.
19	Replenishment deposits were not made timely.	DVR & DET	Compliance	State of Delaware, <i>Budget and Accounting Manual</i> , Chapter VIII & Sound internal controls	Ensure that all deposits are made in accordance with State policy.

Appendix C – Other Comments and Recommendations

During the audit, AOA became aware of several other matters that are opportunities for strengthening the Divisions' internal control and operating efficiency. In addition, because of inherent limitations in internal control, errors, or fraud may occur and not be detected by such controls.

#	Weakness	Division	Control Needed	Criteria	Recommendation
1	Vendor invoices (1 of 41 for DET and 5 of 37 for DVR) were not paid within 30 days of receipt.	DET & DVR	Compliance	State of Delaware <i>Budget and Accounting Manual</i> , Chapter VI	Ensure all invoices are paid within 30 days of receipt.
2	An employee reimbursement request was not submitted within 30 days after completion of travel.	DVR	Compliance	State of Delaware <i>Budget and Accounting Manual</i> , Chapter VII	Ensure that employee travel and personal reimbursement requests be submitted within 30 days after completion of travel.
3	The signature blocks on petty cash voided checks (2 of 58) were not properly removed.	DVR	Compliance	DVR Internal Procedures	Comply with established policies and procedures and ensure voided checks are properly mutilated by cutting out the signature section of the check to prevent further alterations or reuse.
4	Financial documents (1 of 35 payment vouchers for DIA and 1 of 15 cash receipts for DVR) were not properly approved.	DIA & DVR	Authorization	State of Delaware <i>Budget and Accounting Manual</i> , Chapter VIII	Ensure that the appropriate authorizing signatures be obtained before documents are processed.
5	A worker's compensation fund check (1 of 20) was not properly approved.	DIA	Authorization	State of Delaware <i>Budget and Accounting Manual</i> , Chapter VIII	Ensure that the appropriate authorizing signatures be obtained before the fund checks are processed.
6	The Monthly Certification of Internal Controls as required by the Division of Accounting was not submitted monthly during calendar year 2004. This issue, however was resolved by the Department beginning January 2005.	DOL	Reconciliation	Division of Accounting Memorandum #04-14 – <i>DFMS Monthly Reconciliations</i>	Monitor controls and ensure that the Monthly Certification of Internal Controls be submitted to the Division of Accounting by the 15 th of each month effective January 1, 2004..